JAMES P. BEGGANS, JR.*

Mutual Funds in France

Foreward

The concept of mutual funds has long been known in most European countries and many of them have detailed legislation on their books regulating the establishment and distributions of domestic funds. But these institutions were more or less in the doldrums until American or American-controlled off-shore funds, aimed exclusively at foreigners wishing to invest in American securities, "invaded" Europe. The variety of the funds then offered, their flexibility and the enormity of the American stock markets, coupled with aggressive sales methods theretofore unknown to European thinking, had the consequence that within a few years the investment in American or American-controlled funds in Europe has outgrown the investment in domestic funds in many European countries.

The laws in the various countries dealing with the admission and distributions of foreign funds range from a total absence of any controls to a total prohibition. There is neither uniformity nor similarity of legislation. However, the phenomenal growth of American and American-controlled funds in Europe has brought with it demands for tighter controls; the authorities in even those countries where there is no special legislation whatsoever are now seeking to put reins on foreign mutual funds. While these controls aim principally at regulating the *distributions* of the funds, they often indirectly affect the *organization* of the funds, their relationship to the management companies and depository banks, and their operations in the home country.

Many of these regulations will in the long run be advantageous for the industry, because in many countries overseers such as the SEC or the NASD in the United States have been completely absent, and the funds as well as their salesmen are largely guided by their own conscience. But

*Associate of the firm of Lowenstein, Sandler, Brockin & Kohl, Newark, N.J.; graduate St. Peter's College (B.A.), Harvard Law School (LL.B.); member American Bar Association, New Jersey Bar Association and Association Internationale des Jeunes Avocats.

there are also nagging fears that the European authorities may seize the opportunity to hold down further activities unnecessarily and strangle foreign competition to the advantage of the domestic funds.

The Committee on European Law is preparing country-by-country studies on this subject covering the national laws of organizing, supervising and distributing foreign funds (securities and real estate) including the tax treatment of the funds and their members. Mr. James P. Beggans' study on the treatment of mutual funds in France is the first of a series to follow.

Ernest C. Steefel
Chairman, Committee on European Law,
Section of International and Comparative Law,
American Bar Association

Introduction

Mutual funds are relative newcomers to the French investment scene, and are enjoying strong interest. Between March of 1968 and the present, a time of serious difficulty for the French economy, the number of French funds increased from fifteen to twenty-three. However, there has not as yet been any authorization by the government for foreign funds to prospect the market. This ban applies to both mutual funds and investment trusts governed by the laws of any foreign country.[1] But at least one business magazine in France has expressed the opinion that sooner or later, as the capital market modernizes, this prohibition will have to be lifted.[2]

To such authorization there may well be formidable obstacles. Besides legal problems there exist the political and economic difficulties attendant on a "directed" society in which savings capital is relatively restricted and tends to seek shelters protected from recurrent inflation. In such a situation, it is normal that those in command of the economy prefer that what savings capital there is be encouraged or even forced into national organisms: Witness the fact that State banks and credit organizations in France have set up their own mutual funds to compete with those organized under private auspices.[3]

Any foreign company which wishes to issue stock or debentures in France must comply with the following requirements:

---

[1]Letter to the author from the Commission des Operations de Bourse [Stock Exchange Commission], 11 February 1969.

[2]L'Expansion (March 1968) p. 37.

[3]*E.g.*, the Livret-Portefeuille created by the Caisse des Depots.

(a) Ministerial authorization.[4]
(b) Filing of two copies of the corporate papers with the Court of Commerce of the Seine.[5]
(c) Notice in the Bulletin des Annonces Legales Obligatories (BALO) giving basic information about the company, including voting rights and division of profits.
(d) Appointment of a qualified French representative responsible for collecting taxes.[6]
(e) Publication of a tax notice.[7]

At first glance, it would appear that ministerial authorization is the major stumbling block. However, there is also a purely legal impediment. Mutual funds in France are governed principally by the Ordonnance of 2 November 1945 as modified.[8] Article 13 of that law, which is part of the Code of Commerce, prescribes that only French S.A.-type corporations may make a public offering under the denomination of investment company or similar enterprise. Should a change in policy occur, no doubt this article would be altered or interpreted in a restricted manner. For in fact there are two ways of interpreting the provision: (1) either it means that no company can hold itself out to the public as an investment company and solicit its capital without being a French S.A.-type corporation as provided in the Ordonnance of 1945; (2) or it can mean that no company can use the French name for an investment company without being treated as a French investment company under the 1945 Ordonnance. This latter interpretation, while preserving French terminology, would allow an American investment company to call itself a "mutual fund" or some similar English term, and thus enter the French capital market.

As to the question of simply listing American fund shares on the Paris Bourse, this is subject to approval by the Stock Exchange Commission and, again, to government authorization.[9]

Solicitation of the sale of such securities to the public by representatives is subject to strict State regulation, and is at present only allowed through approved banks.[10]

Of particular interest to the French of late has been the activity of German and Swiss investment trusts. These have bought substantial num-

[4]D.27 janv, 1967 art. 5, A. 27 janv. 1967, art. 5 et 6.
[5]D.N º 67-237 de 23 mai 1967, art. 64.
[6]Art. 1674 C.G.I. [General Tax Code]
[7]Art. 250 C.G.I.
[8]CODE DE COMMERCE (ed. Dalloz 1968), p. 943 *et seq.*
[9]L. 31 mai 1916, mod. L. 31 dec 1920. art. 32; A.11 Sept. 1953, mod. A. 24 mai 1956.
[10]RIPERT, DROIT COMMERCIAL (ed. Roblot 1968) § 1773.

bers of French shares. Evidently there is pressure for some reciprocal action, particularly within the framework of the common market.

Issued, but as yet unimplemented, is the French Decree of 24 June 1959.[11] Its intent is the protection of the French investor in case of sales or offerings in France of stock or shares in investment trusts governed by foreign law. It does not apply to stock companies, but may be taken as a guide for the time when foreign mutual funds will have been authorized.

Under this decree, issuance and sale of shares are subject to prior authorization by the Ministry of Finance upon recommendation of the Stock Exchange Commission. Regulations presently applied to the solicitation of foreign stock purchases are included by reference. A notice must be placed in the BALO containing the following information:

Name of the investment trust;
Name, address and capital structure of the depositary;
Governing foreign law;
Full text of the internal operating rules.

Those charged with the sale and advertising of such shares must be French domiciliaries. The EEC Council Directive of 11 May 1960, implementing Articles 67 and 68 of the Treaty of Rome, is applicable.

French mutual funds can, if they wish, invest in shares of real estate and construction companies,[12] but it appears unlikely that they do so.

Prior to 1963 there were only two types of "construction and real estate companies": ordinary and *conventionnée*. The first is actually a form of cooperative or joint venture, and is "fiscally transparent," i.e. not a taxable entity. The second is more like an ordinary business organization in structure, but is subject to strict control as a result of an agreement *(convention)* between it and the State. The object of these controls is to guard against speculation, and allow the government to plan residential housing.[13]

On its face, this arrangement plus the legal provisions, *infra*, as to the composition of the portfolio make it difficult for a French mutual fund to have any substantial interest in real estate companies. Moreover, article 6 of the 1945 Ordonnance provides, among other things, that an investment company cannot hold shares in an S.A.R.L. (Société à Responsabilité Limitée, or limited liability company), nor can it own any real estate beyond what is strictly necessary for its own use.

[11] D.N° 59-789.
[12] L. No. 63-254 de 15 mars 1963, art. 33-VI, D. 1963. 97.
[13] RIPERT, *supra*, note 10, § 1679 *et seq.*

However, by virtue of a section of a tax law of 15 March 1964,[14] there was created a special type of investment company restricted to the construction and management of residential property. This is more fully discussed *infra*. Such real estate investment companies are generally of the closed-end type.

Historical Background

Although it is often stated that the concept of variable capital, essential to the operation of a mutual fund, is a novelty in the Civil Law,[15] at least in France this is not at all true. Title III of the Law of 24 July 1867, which law was until 1966 the basic business corporation law, permitted variable capital companies. This section was not abrogated by the Law of 24 July 1966.[16] Parenthetically it should be pointed out that present-day mutual funds are governed by completely different legislation; however, it is interesting to note how far back the idea goes in a system that purportedly is antithetical to the concept.

Under the 1867 law, any type of company can adopt as part of its corporate documents a variable capital provision. The S.A. or S.A.R.L. types have customarily been utilized.[17] A *capital statutaire* is established and operates as a ceiling for issuance of shares. The minimum number issued cannot be less than one-tenth of this amount. This minimum figure is published in the BALO and recorded in the Commercial Register. The shares of a "Law of 1867" variable capital company must be in registered form.

Within the above-noted limits no authorization by the general assembly of shareholders is necessary for changes in capitalization. Originally there was a legal maximum capital for such companies. Its purpose was to prevent the use of this type of business organization by large enterprises. But by the Decree of 20 May 1955, limitation was abolished.

This type of organization was created primarily to allow cooperatives both among farmers and among those interested in constructing apartments. From this point of view, the following provisions relating to entrance and withdrawal of a shareholder make sense.

---

[14]L.N º 63-254, *supra*, art. 33.

[15]Huyck, *The French Capital Market: Institutions and Issues*, 16 AM. J. COMP. L. 219, 223 (1968).

[16]CODE DE COMMERCE, *supra*, note 8, p. 840.

[17]RIPERT, *supra*, note 10, § 1635-1642.

Article 50 of the 1867 law allows such a company to subject transfers of shares to approval either of management or the general assembly of shareholders.

Withdrawal, both personally and of capital contributions, is always possible but the company may impose delays and conditions. Unless otherwise provided in the corporate documents, a withdrawing shareholder also takes his proportionate share of the reserves. For five years after he leaves the company, the shareholder remains subject to his original limited liability for the company's debts.

By an "extraordinary" decision of the general assembly of shareholders a shareholder can be forced out of the company.

National Investment Companies

After the second World War, the French government found itself as a result of various seizures of assets the owner of considerable stock interests in French industry. To handle them, Title I of the Ordonnance of 2 November 1945[18] established the legal framework for National Investment Companies. Title II provided a similar basis for privately financed closed-end investment companies, which are discussed in the following section.

In actual fact, only one such National Investment Company was created. Recently there has been some talk of reviving the concept because of its evident success in Italy (*e.g.*, IRI).

From a purely legal standpoint, the National Investment Company is governed by the same rules as the closed-end private investment company, except that the corporate documents must be approved by decree of the Council of State and the number of government-appointed directors varies with the amount of State participation.

Closed-end Investment Companies

The investment companies of the closed-end type created under Title II of the Ordonnance of 2 November 1945 were not successful in attracting private capital.[19] As a matter of fact, their creators were financial groups who were merely interested in this tax-saving method of managing already existing portfolios. Those tax advantages, which also apply to French mutual funds, are discussed below.

---

[18]CODE DE COMMERCE, *supra*, note 8.
[19]Ripert, *supra*, note 10, § 1664.

Closed-end investment companies must adopt the S.A. form of organization, with a capital of at least 20 million francs. They cannot sell debentures. Only capital contributions in money and securities are permitted, and contributions of securities are carefully regulated. Once constituted, the capital can only be modified in the ordinary manner: by extraordinary resolution of the shareholders.

Holding shares in an S.A.R.L. is forbidden, since such organizations have traditionally been considered a poor financial risk.

Article 6 of the Ordonnance is worded in such a manner as to exclude from the province of an investment company's activities anything that would be traditionally the concern of an investment bank.

The Ordonnance also dictates the composition of the portfolio. The reason for this provision is to prevent investment companies from being used as holding companies.

In regard to the stock of a single private enterprise, an investment company cannot hold more than 10% of the aggregate par value, nor more than 10% of the number of shares without par value; neither can it hold more than one-tenth of the voting rights.[20]

Except for State bonds and securities assimilated thereto, an investment company cannot invest more than 5% of its available funds in any one company.

The management personnel of the investment company must be of French nationality, as must two-thirds of the board of directors. Remuneration of management personnel cannot exceed 5% of distributed profits.[21] The cost of administering the portfolio itself cannot exceed 1% of capital and reserves.

Mutual Funds (S.I.C.A.V.)

To remedy the insufficiencies and lack of appeal of the closed-end investment companies, a law of 26 June 1957 gave the government the necessary power to establish the legal framework for any type of company or investment trust of the open-end variety.

Two decrees were promulgated under this authority on 28 December 1957. Decree 57-1341 added Title III to the Ordonnance of 2 November 1945, which now provides the basis for the S.I.C.A.V. (Société d'Investissement à Capital Veriable) or mutual funds. Decree 57-1342 created the investment trust which is treated below.

[20]Art. 8.
[21]Art. 9.

Although authorization of mutual funds therefore would appear to date back to 1957, it was not until the Decree of 20 September 1963 that this authority was put into effect.

S.I.C.A.V. are not subject to the provisions of Title III of the Law of 24 July 1867 concerning variable capital companies. On the other hand, the rules outlined above relative to closed-end investment companies apply in the absence of other provisions. The corporate documents, as in the case of other variable capital companies, must contain provisions tying the increase or reduction of capital to the sale or repurchase of shares.

The first group of S.I.C.A.V. were organized by the large French banks.

Organization is subject to prior authorization of the Ministry of Finance, given on recommendation of the Stock Exchange Commission. Initial capital may not be less than 20 million francs. The corporate documents must fix a minimum level of capital below which repurchase of shares is precluded, but such minimum cannot be less than 10 million francs. The minimum capital must be entirely paid for before the S.I.C.A.V. can operate.

The sale and repurchase of shares is made at liquidation value, computed once a day. Costs and commissions are added to this figure, under regulations fixed by the Stock Exchange Commission. The corporate documents regulate valuation methods and modes of payment.

Present regulations limit fund commissions to 4.75% and operating costs vary between 0.10% and 0.20%. In 1967 the average investment return was between 3.5 and 4.5%.[22]

Although the issuance of new shares is not subject to the ordinary corporate rules as to stockholder meetings, and publication and modification of the corporate documents, each new segment (Tranche) of stock offered must be approved by the Ministry of Finance.

Shares in a S.I.C.A.V. may be in bearer form and need not bear any statement of par value. Their value may even be allowed to fall below the ordinary minimum of 100 francs per share. The latter two exceptions are quite extraordinary in the French scheme of things in regard to corporate structure.

Provisions regulating the composition of the portfolio are stricter than those applicable to closed-end investment companies. At least 90% of the capital of a S.I.C.A.V. must be:

1) Securities made available in a public offering or listed on the Bourse.
2) Re-discount paper.

[22]L'Expansion, *supra*, note 2, p. 37.

3) Treasury bills.
4) Cash.

At least 30% of the capital must be made up of:

1) State bonds.
2) Bonds redeemable in French francs, made available by public offering or listed on the Bourse.
3) Treasury bills.
4) Cash.

Of the stock of a single private enterprise, a S.I.C.A.V. cannot possess more than 5% of the aggregate par value nor more than 5% of the number of shares without par value. Nor can it control more than one-twentieth of the voting rights in the enterprise.

Not more than 10% of the total funds can be invested in re-discount paper; nor more than 5% in the shares of any one company. These restrictions do not apply to securities issued or guaranteed by the State.

The composition of the portfolio must be published quarterly in the BALO.

Investment Trusts

The investment or unit trust, as it developed in English law, is a difficult concept to translate into civil law terms. To accomplish the same objectives—the undivided ownership by many individuals of a portfolio managed by a management company but not held by any separate legal person—a contract is substituted for the trust deed.

As noted above, such investment or unit trusts (fonds communs de placement) are not yet operative in France because, to date, the Ministry of Finance has not issued the necessary regulations. Investment trusts governed by Luxembourg, Swiss and German law are active in the Common Market capital market. Their operation in France, if and when it occurs, will be subject to the above-mentioned Decree of 24 June 1959.

Under French law,[23] the owner of an investment trust share is considered as having an undivided property right in each security held. The traditional concept is limited to the extent that no shareholder can bring an action to partition. From a tax standpoint, the unit trust is totally transparent.

Management is assured by an S.A. devoted solely to fund handling. A depositary, usually a bank, holds the securities and executes the orders of the management company.

[23]D. 57:1342 de 28 dec 1957.

Before operations commence, a contract is signed between the depositary and the management company, which contract functions in substantially the same manner as a trust deed.

Composition of the portfolio is regulated by the S.I.C.A.V. rules but there is no minimum capital. The price of shares is determined in the usual manner.

Real Estate Investment Companies

Besides cooperative real estate companies which function merely as conduits for the eventual apartment owners, the French government created by the Ordonnance of 24 September 1958 the "société immobilière conventionée." As mentioned above, these were intended to operate within the limits of a government "agreement" and supposedly were to attract investment capital in the form of small savings. But their success was very limited. Around twelve were set up between 1958 and 1963.[24]

Hence, taking its cue from the evident favor enjoyed by the securities investment companies, the government added article 33 to the Law of 15 March 1963.[25] Even before the Law was voted, 13 "sociétés immobilières d'investissement" (S.I.I.) were created by insurance companies and investment banks (banques d'affaires).

The law, in setting out the form of this type of investment company, again as in the case of securities investment companies, specifies that only those which conform to its rules can use the term "real estate investment company."[26] The S.A. form is mandatory, although it can be used to establish a cooperative company.[27]

No minimum capital is prescribed, but the amount that must be maintained in cash and the manner of acquiring existing buildings as capital contributions are to be regulated by arrêté.[28]

Although article 33-I-b states that the exclusive purpose of such investment companies is the exploitation of buildings of a residential nature, they are not restricted to management.

Programs of acquisition and construction are subject to double approval: Ministers of Finance and Construction (now Equipment). Only one-quarter of the capital can be allocated to financing construction which does not benefit from government tax exemptions.[29]

---

[24] Saint-Alary, R., Sociétés Spéciales (Chronique), 1963 R. T. dr. com. 345.
[25] L.N ° 63-254, D. 1963. 97 (Application of TVA to Real Estate Ventures).
[26] Art. 33-I.
[27] *Id.*
[28] *See*, A. 13 juill. 1963, D. 1963. 224.
[29] D. No. 63-684 de 13 juill. 1963, D. 1963. 223.

An administrative arrêté is also to issue, setting forth model corporate by-laws.

Article 33-I-e prescribes that an S.I.I. must expressly renounce the benefit of State financial aid in the form of special loans.

Hence it is clear that these investment companies are only free to operate without restriction in the acquisition and management of existing residential buildings. Once they move into the area of new construction, government planning has the upper hand.

It is not clear whether they can adopt the variable capital form without being subject to the Law of 1867. Certainly such investment companies are listed, not under S.I.C.A.V., but under the normal headings in the newspaper financial pages. Hence it seems fair to say that they must be closed-end.

Special State subsidies (primes) for housing which the S.I.I. receive under art. 257 of the Code de l'Urbanisme can be passed along to the shareholders exempt from personal income tax.[30]

By Decree N°63—683 of 13 July 1963,[31] the government authorized the creation of real estate management companies (société immobilière de gestion). They must use the S.A.R.L. form, and hence S.I.C.A.V. cannot invest in their shares. Generally they are subject to the same regulations and receive the same benefits as real estate investment companies (S.I.I.).

It should be understood that by far the greater part of housing, public and private, is constructed by public agencies in France. These real estate companies only account for about 5,000 units a year.[32]

The S.I.I. are controlled for the most part by syndicates of large French banks. In effect, they participate in the capital structure of ordinary real estate companies promoting construction. The amount varies from 15 to 30% in general, and encourages further financing by other bodies. The S.I.I. also act as a responsible check on the operations of the promoter. In the absence of a true mortgage market, the success of these S.I.I. is not surprising.[33]

Fiscal Advantages of Investment Companies

The tax regulations applying generally to dividends were reformed by the Law of 12 July 1965.[34] While the corporate tax (I.S.) remains fixed at

---

[30]L. No. 63-254 de 15 mars 1963, *supra*, art. 33-II (b).
[31]D. 1963. 223.
[32]MATHIEU, PEUT-ON LOGER LES FRANCAIS? (Seuil 1965), p. 52.
[33]R. WALET, LES SOCIÉTÉS DE CONSTRUCTION, (Sirey 1966), 444 *et seq.*
[34]A. TURQ., FISCALITÉ DE L'ENTREPRISE (Sirey 1967) § 118 *et seq.*

50%, beginning January 1st, 1967 the withholding tax is entirely eliminated for dividends distributed to persons or companies domiciled in France.

Moreover, the recipient also receives along with his dividend a fiscal credit (avoir fiscal) equal to one-half of the dividend. This is in the form of a certificate and can be used in payment of income tax. Sould the actual tax payable be less than the tax credits and fiscal credits received, a refund will be made, but only to French domiciliaries. The fiscal credit, in effect, represents an exemption for the shareholder from the effect of the corporate tax.

As to non-residents, the withholding tax is continued and raised from 24 to 25%. A tax credit certificate is issued to the foreign beneficiary, applicable only in reduction of French taxes. For U.S. corporate entities holding 10% of the stock of a French company, the rate is reduced to 5% by treaty. For other U.S. investors, the rate is 15%.[35]

Special rules apply to all French investment companies, whether national, open-end or closed-end, as well as real estate investment companies. These rules are designed to preclude a higher tax burden on the investment company shareholder than if he owned the securities directly.

Profits on the resale of shares to a qualified investment company are not subject to the personal income tax.[36]

Article 208-1 ° bis, A, C.G.I., exempts investment company gains and profits resulting from portfolio management from the corporate tax (I.S.) so long as the investment company qualifies under art. 208 A, C.G.I. This latter article reserves the benefit of such exemptions to investment companies with a minimum capital (which has been fixed at 20 million francs for national and closed-end investment companies and at 10 million francs for S.I.C.A.V. by Annexe III, art. 46 quater C, C.G.I.) and which each year distribute to their shareholders the totality of profits which, by virtue of art. 9 of the 1945 Ordannance, can be distributed without regard to the amount of the reserves.

With regard to the S.I.C.A.V., increases in the maximum amount of capital specified in the corporate documents is not subject to the proportional registration tax. Only a flat fee of 50 francs is levied.[37]

Returning to the question of dividends, before the Law of 12 July 1965, investment companies were not required to withhold as to distributions from dividends which had already been subjected to withholding tax, as

[35]Tax Convention between U.S. and France, effective July 11, 1968.
[36]Art. 160, C.G.I.
[37]Art. 1336 bis II, C.G.I.

long as the totality of the investment company's profits, less costs of management, were fully distributed.[38]

Assuming that an S.I.C.A.V. held only securities of French companies, the dividends paid to it would not be subject to any withholding under the new legislation. Hence, had art. 144 been retained, a foreign resident could possibly escape all French tax on his French investments by placing his funds in an investment company. For this reason the Law of 12 July 1965 abolished the rule of art. 144; and now investment companies must withhold at the 25% rate, or at the rate prescribed by treaty. In effect, the situation vis-à-vis ordinary dividends was reversed by the 1965 tax law.

Shareholders of investment companies are to receive, along with their dividends, tax and fiscal credit certificates. Special rules are to be issued by the Ministry of Finance on this subject. But such credits cannot be utilized in excess of 50% of the net revenues received by the shareholder from the investment company.

Thus, the tax picture from the point of view of the French shareholder in a French investment company may be restated as follows:

Dividends paid to his investment company are not subjected to withholding, but are affected by the 50% corporate levy on the enterprise's profits generally. Thus the investment company receives the dividend intact and a "fiscal check" credit equal to one-half the dividend. This credit will be passed on to the investment company shareholder.

The investment company itself pays no corporate tax, but withholds 25% of its distributed dividend. The shareholder receives this reduced dividend plus a tax credit for the withheld tax plus the "fiscal check" credit. Both the tax credit and the "fiscal check" credit are represented by certificates and may be applied against individual income taxes. The amount of the tax credit, however, must first be added back into taxable income before computing the tax.

The foreign investor pays the full 25% withholding tax, unless the rate is reduced by treaty. If he has French taxes to pay on other items, he may use his tax credit certificates in payment thereof.

Therefore, for all practical purposes, the investment company is "fiscally transparent." In addition, the French taxpayer indirectly receives a rebate on the corporate tax paid by the source enterprise.

In the event that foreign investment companies or trusts are authorized to operate in France, it would appear that those governed by the laws of other Common Market countries would have to be assimilated to French investment companies for tax purposes. Special provisions could be made for any others, but, generally speaking, the French government has not discriminated along such lines in analogous areas of law.

[38]Art. 144 (abrogated) and art. 280A, C.G.I.

Conclusion

In relation to the Bourse generally, between April 1964 and January 1968, S.I.C.A.V. progressed 6.1%, while the common stock index fell 18.5%. Should the recent introduction to the French scene of the S.E.C.—style Stock Exchange Commission succeed in restoring some confidence to the average and potential investor, then mutual funds will no doubt show spectacular growth and the competition of foreign funds will not appear so frightening.

In any event, authorization of foreign funds will entail substantial changes in present law in order not to prejudice domestic operations. The commission rate will have to be liberalized and more liberal rules enacted concerning portfolio composition.

Finally, all French funds today are sold through banks. Some form of direct promotion seems essential to any future changeover to an open market.